



**Powers &
Sullivan, LLC**
CPAs AND ADVISORS

SOUTH SHORE EDUCATIONAL COLLABORATIVE

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2023

SOUTH SHORE EDUCATIONAL COLLABORATIVE

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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Independent Auditor's Report

To the Board of Directors
South Shore Educational Collaborative
Hingham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Shore Educational Collaborative (the "Collaborative"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Collaborative, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Collaborative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Collaborative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in this report. The other information comprises the required disclosures by the Massachusetts Department of Elementary and Secondary Education for Massachusetts Educational Collaboratives but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Collaborative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.



December 8, 2023

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the South Shore Educational Collaborative (the "Collaborative"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. The Collaborative complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the South Shore Educational Collaborative's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Collaborative's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected revenues and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions that are principally supported by tuition charges for services and intergovernmental revenues (*governmental activities*). The governmental activities include administration and office expenses, instruction services, other student services, facilities, unallocated depreciation, state funded pension benefits, and interest.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. The focus of the Collaborative's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Collaborative's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Collaborative’s own programs.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Collaborative’s budgetary comparisons and its pension and other postemployment obligations, as well as *other information* as required by M.G.L Chapter 43 of the Acts of 2012.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.8 million at the close of 2023 mainly due to the recording of a liability for other postemployment benefits (OPEB) in the amount of \$7.3 million.

Key components of the Collaborative’s governmental financial position are listed below.

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Assets: | | |
| Current assets..... | \$ 4,292,596 | \$ 4,845,149 |
| Capital assets, net of accumulated depreciation.... | 14,738,104 | 16,216,208 |
| Total assets..... | 19,030,700 | 21,061,357 |
| Deferred outflows of resources..... | 2,202,762 | 1,406,933 |
| Liabilities: | | |
| Current liabilities (excluding debt)..... | 1,752,767 | 1,786,533 |
| Noncurrent liabilities (excluding debt)..... | 7,438,782 | 6,957,898 |
| Current debt..... | 1,314,992 | 1,276,176 |
| Noncurrent debt..... | 13,788,463 | 15,103,455 |
| Total liabilities..... | 24,295,004 | 25,124,062 |
| Deferred inflows of resources..... | 2,749,162 | 2,076,256 |
| Net position: | | |
| Net investment in capital assets..... | (365,351) | (163,423) |
| Restricted..... | 773 | 1,098 |
| Unrestricted..... | (5,446,126) | (4,569,703) |
| Total net position..... | \$ (5,810,704) | \$ (4,732,028) |

Net position/(deficit) of (\$365,000) reflects the Collaborative's net investment in capital assets (e.g., right to use building, equipment, furniture and fixtures, and vehicles); less any related debt used to acquire those assets that is still outstanding. The Collaborative uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of \$773 represents resources that are subject to external restrictions on how they may be used (restricted for gifts and grants). The remaining balance of unrestricted net position resulted in a \$5.4 million deficit mainly relating to the cumulative effect of recording net other postemployment benefit liabilities through June 30, 2023, as mentioned above.

The governmental activities of the Collaborative are summarized below.

The Collaborative's net position decreased \$1.1 million in 2023 as compared to a decrease of \$264,000 in 2022. Attributing to this \$1.1 million decrease was a \$353,000 decrease in reporting net other postemployment benefits liability, net of related deferred outflows/(inflows) of resources, as well as a \$680,000 budgetary loss in the general fund.

| | 2023 | 2022 |
|---|--------------------|--------------------|
| Program Revenues: | | |
| Charges for services..... \$ | 1,882,031 | \$ 1,564,089 |
| Operating grants and contributions..... | 4,065,946 | 3,447,403 |
| General Revenues: | | |
| Tuition..... | 23,151,930 | 22,650,897 |
| Unrestricted investment income..... | 37,898 | 1,029 |
| Miscellaneous..... | 13,604 | - |
| Total revenues..... | 29,151,409 | 27,663,418 |
| Expenses: | | |
| Administration and office..... | 1,812,676 | 1,632,196 |
| Instruction services..... | 20,635,688 | 19,601,502 |
| Other student services..... | 663,831 | 742,090 |
| Facilities..... | 1,302,368 | 1,126,859 |
| Unallocated depreciation..... | 1,478,104 | 1,479,604 |
| Interest..... | 422,324 | 511,618 |
| State funded pension benefits..... | 3,915,094 | 2,833,627 |
| Total expenses..... | 30,230,085 | 27,927,496 |
| Change in net position..... | (1,078,676) | (264,078) |
| Net position, beginning of year..... | (4,732,028) | (4,467,950) |
| Net position, end of year..... \$ | (5,810,704) | (4,732,028) |

Financial Analysis of the Governmental Funds

As noted earlier, the Collaborative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Collaborative's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$2.6 million. The general fund balance decreased by approximately \$510,000 and the nonmajor governmental funds decreased by approximately \$6,600.

The general fund is the Collaborative's chief operating fund. At year end, unassigned fund balance in the general fund totaled \$2.4 million.

General Fund Budgetary Highlights

The Collaborative adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original year 2023 approved budget for the general fund authorized \$25.7 million in appropriations. During the year, the final budget was increased to \$26.0 million mainly for facilities.

Actual revenues were less than budget by \$1.1 million and actual expenditures were less than budget by \$372,000.

Capital Asset and Debt Administration

The Collaborative's net capital assets totaled \$14.7 million as of June 30, 2023. Depreciation expense in the amount of approximately \$1.5 million was recorded.

The Collaborative has agreements for the use of classroom and administrative office space under a non-cancelable lease. The cost of the lease for the year ended June 30, 2023, totaled \$1.7 million, and is reported as debt service relating to leases in the general fund.

Please refer to the Notes 4, 6 and 7 of the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the South Shore Educational Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, South Shore Educational Collaborative, 75 Abington Street, Hingham, Massachusetts 02043.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2023

| | <i>Primary Government</i> |
|---|----------------------------|
| | Governmental Activities |
| ASSETS | |
| CURRENT: | |
| Cash and cash equivalents..... | \$ 2,451,847 |
| Receivables, net of allowance for uncollectibles: | |
| Tuition due from member communities and others..... | 1,840,749 |
| Total current assets..... | 4,292,596 |
| NONCURRENT: | |
| Capital assets, net of accumulated depreciation..... | 14,738,104 |
| TOTAL ASSETS..... | 19,030,700 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to other postemployment benefits..... | 2,202,762 |
| LIABILITIES | |
| CURRENT: | |
| Warrants payable..... | 211,270 |
| Accrued payroll..... | 126,896 |
| Payroll withholdings..... | 167,199 |
| Lease obligations..... | 1,314,992 |
| Compensated absences..... | 53,312 |
| Prepaid tuition..... | 1,194,090 |
| Total current liabilities..... | 3,067,759 |
| NONCURRENT: | |
| Lease obligations..... | 13,788,463 |
| Compensated absences..... | 141,000 |
| Net other postemployment benefits liability..... | 7,297,782 |
| Total noncurrent liabilities..... | 21,227,245 |
| TOTAL LIABILITIES..... | 24,295,004 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to other postemployment benefits..... | 2,749,162 |
| NET POSITION | |
| Net investment in capital assets..... | (365,351) |
| Restricted for: | |
| Gifts and grants..... | 773 |
| Unrestricted..... | (5,446,126) |
| TOTAL NET POSITION..... | \$ (5,810,704) |

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue |
|---|----------------------|----------------------|------------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Primary Government: | | | | |
| <i>Governmental Activities:</i> | | | | |
| Administration and office expenses..... | \$ 1,812,676 | \$ 508,184 | \$ - | \$ (1,304,492) |
| Instruction services..... | 20,635,688 | 1,373,847 | 150,852 | (19,110,989) |
| Other student services..... | 663,831 | - | - | (663,831) |
| Facilities..... | 1,302,368 | - | - | (1,302,368) |
| Unallocated depreciation..... | 1,478,104 | - | - | (1,478,104) |
| State funded pension benefits..... | 3,915,094 | - | 3,915,094 | - |
| Interest..... | 422,324 | - | - | (422,324) |
| Total Governmental Activities..... | \$ 30,230,085 | \$ 1,882,031 | \$ 4,065,946 | \$ (24,282,108) |

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

| | | <u>Primary Government</u> |
|---|----|-------------------------------|
| | | Governmental Activities |
| Changes in net position: | | |
| Net (expense) revenue from previous page..... | \$ | <u>(24,282,108)</u> |
| <i>General revenues:</i> | | |
| Tuition..... | | 23,151,930 |
| Unrestricted investment income..... | | 37,898 |
| Miscellaneous revenue..... | | <u>13,604</u> |
| Total general revenues..... | | <u>23,203,432</u> |
| Change in net position..... | | (1,078,676) |
| <i>Net position:</i> | | |
| Beginning of year..... | | <u>(4,732,028)</u> |
| End of year..... | \$ | <u><u>(5,810,704)</u></u> |

See notes to basic financial statements.

(Concluded)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2023

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents..... | \$ 2,267,171 | \$ 184,676 | \$ 2,451,847 |
| Receivables, net of uncollectibles: | | | |
| Tuition due from member communities and others..... | <u>1,840,749</u> | <u>-</u> | <u>1,840,749</u> |
| TOTAL ASSETS..... | <u>\$ 4,107,920</u> | <u>\$ 184,676</u> | <u>\$ 4,292,596</u> |
| LIABILITIES | | | |
| Warrants payable..... | \$ 192,225 | \$ 19,045 | \$ 211,270 |
| Accrued payroll..... | 126,896 | - | 126,896 |
| Payroll withholdings..... | 167,199 | - | 167,199 |
| Prepaid tuition..... | <u>1,194,090</u> | <u>-</u> | <u>1,194,090</u> |
| TOTAL LIABILITIES..... | <u>1,680,410</u> | <u>19,045</u> | <u>1,699,455</u> |
| FUND BALANCES | | | |
| Restricted..... | - | 183,664 | 183,664 |
| Unassigned..... | <u>2,427,510</u> | <u>(18,033)</u> | <u>2,409,477</u> |
| TOTAL FUND BALANCES..... | <u>2,427,510</u> | <u>165,631</u> | <u>2,593,141</u> |
| TOTAL LIABILITIES AND FUND BALANCES..... | <u>\$ 4,107,920</u> | <u>\$ 184,676</u> | <u>\$ 4,292,596</u> |

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2023

| | | |
|--|------------------|-----------------------|
| Total governmental fund balances..... | | \$ 2,593,141 |
| Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds..... | | 14,738,104 |
| The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not reported..... | | (546,400) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: | | |
| Net other postemployment benefits liability..... | (7,297,782) | |
| Lease obligations..... | (15,103,455) | |
| Compensated absences..... | <u>(194,312)</u> | |
| Net effect of reporting long-term liabilities..... | | <u>(22,595,549)</u> |
| Net position of governmental activities..... | | <u>\$ (5,810,704)</u> |

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2023

| | General | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | |
| Special education..... | \$ 24,058,815 | \$ - | \$ 24,058,815 |
| Occupational and physical education..... | 456,865 | - | 456,865 |
| Other departmental revenue..... | 377,392 | 12,320 | 389,712 |
| Operating grants and contributions..... | - | 279,421 | 279,421 |
| Intergovernmental - State provided pension benefits..... | 3,915,094 | - | 3,915,094 |
| Miscellaneous income..... | - | 13,604 | 13,604 |
| Investment income..... | 37,898 | - | 37,898 |
| TOTAL REVENUES..... | 28,846,064 | 305,345 | 29,151,409 |
| EXPENDITURES: | | | |
| Current: | | | |
| Administration and office expenditures..... | 1,597,042 | 14,333 | 1,611,375 |
| Instruction services..... | 18,103,617 | 281,425 | 18,385,042 |
| Other student services..... | 647,488 | 14,880 | 662,368 |
| Facilities..... | 1,302,368 | - | 1,302,368 |
| Employee benefits..... | 2,092,004 | 1,338 | 2,093,342 |
| State funded pension benefits..... | 3,915,094 | - | 3,915,094 |
| Debt service: | | | |
| Principal - right to use leases..... | 1,276,176 | - | 1,276,176 |
| Interest - right to use leases..... | 422,324 | - | 422,324 |
| TOTAL EXPENDITURES..... | 29,356,113 | 311,976 | 29,668,089 |
| NET CHANGE IN FUND BALANCES..... | (510,049) | (6,631) | (516,680) |
| FUND BALANCES AT BEGINNING OF YEAR..... | 2,937,559 | 172,262 | 3,109,821 |
| FUND BALANCES AT END OF YEAR..... | \$ 2,427,510 | \$ 165,631 | \$ 2,593,141 |

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

| | | |
|--|----|---------------------------|
| Net change in fund balances - total governmental funds..... | \$ | (516,680) |
| <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Depreciation expense..... | | <u>(1,478,104)</u> |
| Net effect of reporting capital assets..... | | (1,478,104) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p> | | |
| Principal payments on leases..... | | <u>1,276,176</u> |
| Net effect of reporting long-term debt..... | | 1,276,176 |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p> | | |
| Net change in compensated absences accrual..... | | (7,107) |
| Net change in deferred outflow/(inflow) of resources related to other postemployment benefits..... | | 122,923 |
| Net change in net other postemployment benefits liability..... | | <u>(475,884)</u> |
| Net effect of recording long-term liabilities..... | | <u>(360,068)</u> |
| Change in net position of governmental activities..... | \$ | <u><u>(1,078,676)</u></u> |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

| | | Other Postemployment Benefit Trust Fund |
|---|----|--|
| ASSETS | | |
| Cash and cash equivalents..... | \$ | 23,262 |
| Investments: | | |
| Equity mutual funds..... | | 292,025 |
| Fixed income mutual funds..... | | 870,458 |
| TOTAL ASSETS..... | | <u>1,185,745</u> |
| NET POSITION | | |
| Restricted for other postemployment benefits..... | \$ | <u>1,185,745</u> |

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

| | Other Postemployment Benefit Trust Fund |
|--|--|
| ADDITIONS: | |
| Contributions: | |
| Employer contributions to the trust..... | \$ 93,625 |
| Employer contributions for other postemployment benefit payments.... | 151,693 |
| Total contributions..... | 245,318 |
| Net investment income: | |
| Investment income..... | 124,771 |
| Less: investment expense..... | (2,258) |
| Net investment income..... | 122,513 |
| TOTAL ADDITIONS..... | 367,831 |
| DEDUCTIONS: | |
| Other postemployment benefit payments..... | 151,693 |
| NET INCREASE IN NET POSITION..... | 216,138 |
| NET POSITION AT BEGINNING OF YEAR..... | 969,607 |
| NET POSITION AT END OF YEAR..... | \$ 1,185,745 |

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The South Shore Educational Collaborative (the “Collaborative”) was formed in 1976 as authorized by Chapter 40 Section 4E and Chapter 797 of the General Laws of the Commonwealth of Massachusetts, by member school districts from the Cities and Towns of Braintree, Cohasset, Hingham, Hull, Marshfield, Milton, Norwell, Quincy, Randolph, Scituate, Weymouth, and the Whitman-Hanson Regional School District. The primary purpose of the Collaborative is to expand the quality of educational services that can be provided more effectively and efficiently by pooling the resources and students of several school districts. Since inception, the Collaborative has been able to substantially broaden the quantity and quality of programs and services available to students in surrounding school districts.

The Collaborative’s programs and services are primarily intended for its members; however, nonmembers may also participate.

Governance of the Collaborative is vested in a 12-member Board of Directors (the “Board”) composed of one representative appointed by each member school committee. The Board appoints an Executive Director who is the chief operating official for the Collaborative and who reports directly to the Board.

The accompanying basic financial statements of the South Shore Educational Collaborative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Collaborative accounting policies are described herein.

A. Reporting Entity

For financial reporting purposes, the Collaborative has included all funds, organizations, agencies, boards, commissions, and institutions. The Collaborative has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Collaborative are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Collaborative (the primary government) and its component units. The Collaborative has no component units that require inclusion in these basic financial statements.

The primary government consists of all funds and departments which provide various services including special education, occupational and physical education, other departmental revenue, operating grants and contributions, intergovernmental State provided pension benefits and investment income. The Collaborative Board of Directors and Executive Director are directly responsible for these activities.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member assessments and intergovernmental revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The *general fund*, the Collaborative's only major governmental fund, is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *nonmajor governmental funds* consist of other special revenue funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund* is used to account for other postemployment benefit (OPEB), which accumulate resources to provide funding for future OPEB liabilities.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. See Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Tuition Due from Member Communities and Others

Tuition due from member communities and others represents funds due to the Collaborative from member communities and non-member communities for services provided.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying

expenditures are incurred and all other grant requirements are met. There were no receivables recorded in this category as of June 30, 2023.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include a right to use building, equipment, furniture and fixtures, and vehicles, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, when actual historical cost could not be determined. Donated capital assets are recorded at acquisition value.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year. Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

| <u>Capital Asset Type</u> | <u>Estimated Useful Life (in years)</u> |
|---------------------------------------|---|
| Right to use - buildings..... | 12 |
| Equipment, Furniture, & Fixtures..... | 5-15 |
| Vehicles..... | 3-5 |

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Collaborative reported deferred outflows related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue)

until that time. The Collaborative reported deferred inflows related to other postemployment benefits in this category.

Government Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Collaborative did not have any elements that qualify for reporting in this category.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of activities.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been restricted for “Gifts and grants” which represent assets that have restrictions placed on them from outside parties.

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Collaborative’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Collaborative’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Collaborative’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-Term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as administrative expenditures.

N. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Massachusetts State Employee Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon maturity of the liability.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned to it. The Collaborative does not have a formal deposit policy for custodial credit risk.

At year-end, the carrying amount of deposits totaled \$1,460,236 and the bank balance totaled \$1,909,623. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, \$1,636,362 was collateralized, and \$23,261 was subject to custodial credit risk because it was uninsured and uncollateralized.

Fair Value of Investments

The Collaborative holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Collaborative mission, the Collaborative determines that the disclosures related to these investments only need to be disaggregated by major type. The Collaborative chooses a narrative format for disclosing the levels within the fair value hierarchy.

The Collaborative categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of June 30, 2023, the Collaborative had \$292,025 invested in equity mutual funds and \$870,458 invested in fixed income mutual funds. These investments are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

As of June 30, 2023, the Collaborative had \$1,014,873 invested in MMDT. MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to be approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Collaborative does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Collaborative participates in MMDT, which maintains a cash portfolio, and at June 30, 2023, MMDT’s cash portfolio had a weighted average of 33 days.

Credit Risk

The Collaborative has not adopted a formal policy related to Credit Risk.

Concentration of Credit Risk

The Collaborative places no limit on the amount the government may invest in any one issuer. At June 30, 2023, the Collaborative did not have any investments in one issuer that exceeded 5% of total investments.

NOTE 3 – RECEIVABLES

At June 30, 2023, receivables for the individual major and non-major governmental funds in the aggregate are as follows:

| | <u>Gross Amount</u> | <u>Allowance for Uncollectibles</u> | <u>Net Amount</u> |
|--|-------------------------|---|-----------------------|
| <u>Receivables:</u> | | | |
| Tuition due from member communities and others.... | \$ 1,840,749 | \$ - | \$ 1,840,749 |

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------------|-------------|----------------------|
| Governmental Activities: | | | | |
| <u>Capital assets being depreciated:</u> | | | | |
| Equipment, furniture, & fixtures..... | \$ 893,447 | \$ - | \$ - | \$ 893,447 |
| Vehicles..... | 130,595 | - | - | 130,595 |
| Right to use - building..... | 17,618,136 | - | - | 17,618,136 |
| | <u>18,642,178</u> | <u>-</u> | <u>-</u> | <u>18,642,178</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Equipment, furniture, & fixtures..... | (827,197) | (9,926) | - | (837,123) |
| Vehicles..... | (130,595) | - | - | (130,595) |
| Right to use - building..... | (1,468,178) | (1,468,178) | - | (2,936,356) |
| | <u>(2,425,970)</u> | <u>(1,478,104)</u> | <u>-</u> | <u>(3,904,074)</u> |
| Total governmental activities capital assets, net..... | <u>\$ 16,216,208</u> | <u>\$ (1,478,104)</u> | <u>\$ -</u> | <u>\$ 14,738,104</u> |

Unallocated depreciation expense totaled \$1,478,104 for the year ended June 30, 2023.

NOTE 5 – PREPAID TUITION

Member communities are allowed to prepay a portion of the next year’s tuition. At June 30, 2023, the Collaborative had received \$1.2 million of prepaid tuition from member communities.

NOTE 6 – RIGHT TO USE LEASE – FACILITIES

The Collaborative has entered into a lease agreement for classroom and administrative office space under a non-cancelable lease. The lease at 75 Abington Street, which began on July 1, 2013, will expire on June 30, 2033. The cost of the lease for the year ended June 30, 2023, totaled \$1.7 million, and is reported as debt service relating to leases in the general fund.

The cost and accumulated depreciation related to these leases totaled \$17,618,136 and \$2,936,356.

The future principal and interest lease payments for 75 Abington Street are as follows:

| <u>Years ending June 30:</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------|--------------------------|----------------------------|-----------------------------|
| 2024..... \$ | 1,314,992 | \$ 383,508 | \$ 1,698,500 |
| 2025..... | 1,354,989 | 343,511 | 1,698,500 |
| 2026..... | 1,396,202 | 302,298 | 1,698,500 |
| 2027..... | 1,438,669 | 345,831 | 1,784,500 |
| 2028..... | 1,482,427 | 302,073 | 1,784,500 |
| 2029..... | 1,527,517 | 256,983 | 1,784,500 |
| 2030..... | 1,573,978 | 210,522 | 1,784,500 |
| 2031..... | 1,621,852 | 197,048 | 1,818,900 |
| 2032..... | 1,671,182 | 147,718 | 1,818,900 |
| 2033..... | 1,721,647 | 97,251 | 1,818,898 |
| Total..... \$ | <u>15,103,455</u> | <u>\$ 2,586,743</u> | <u>\$ 17,690,198</u> |

NOTE 7 – LOANS PAYABLE AND OTHER LONG-TERM LIABILITIES

Line of Credit

The Collaborative has an agreement with a bank to borrow up to \$2.0 million under a revolving line of credit arrangement. For the year ended June 30, 2023, the Collaborative had not drawn down any amounts on this line of credit.

Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|--------------------------|-------------------|-----------------------|-----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Lease obligations..... \$ | 16,379,631 | \$ - | \$ (1,276,176) | \$ 15,103,455 | \$ 1,314,992 |
| Compensated absences..... | 187,205 | 58,312 | (51,205) | 194,312 | 53,312 |
| Net other postemployment benefits..... | 6,821,898 | 721,202 | (245,318) | 7,297,782 | - |
| Total governmental activity | | | | | |
| long-term liabilities..... \$ | <u>23,388,734</u> | <u>\$ 779,514</u> | <u>\$ (1,572,699)</u> | <u>\$ 22,595,549</u> | <u>\$ 1,368,304</u> |

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Collaborative has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Collaborative’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the Collaborative from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the Collaborative to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2023, the governmental fund balances consisted of the following:

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------------|---------------------|--|---|
| Fund Balances: | | | |
| Restricted for: | | | |
| Evans Henry Foundation..... | \$ - | \$ 773 | \$ 773 |
| Community Fund Raising..... | - | 6,167 | 6,167 |
| Mini School Fundraising..... | - | 13,473 | 13,473 |
| Donations Cap Program..... | - | 29 | 29 |
| Internet Technology..... | - | 83,258 | 83,258 |
| In-service Workshops..... | - | 154 | 154 |
| South Shore Special Education..... | - | 7,327 | 7,327 |
| Overhead..... | - | 4,657 | 4,657 |
| Revolving..... | - | 15,095 | 15,095 |
| Boston University Licensure..... | - | 32,352 | 32,352 |
| Food Service..... | - | 16,023 | 16,023 |
| Assistive Technology..... | - | 4,356 | 4,356 |
| Unassigned..... | <u>2,427,510</u> | <u>(18,033)</u> | <u>2,409,477</u> |
| Total Fund Balances..... | <u>\$ 2,427,510</u> | <u>\$ 165,631</u> | <u>\$ 2,593,141</u> |

NOTE 9– RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Collaborative participates in premium-based health care plans for its employees and retirees.

NOTE 10 – PENSION PLAN*Plan Descriptions*

The Collaborative is a member of the Massachusetts State Employees' Retirement System (MSERS), a public employee retirement system that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

The Collaborative is also a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

Special Funding Situations

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Collaborative's teachers and retired teachers to the MTRS. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Collaborative does not contribute directly to MTRS, the Collaborative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$2,911,866 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$35,398,426 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. Therefore, the Collaborative does not have a net pension liability. The Collaborative's required

contribution to MSERS equaled its actual contribution for the year ended December 31, 2022 which was \$328,444 and 6.1% of covered payroll.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees of the Collaboratives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2022. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$1,003,228 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$12,763,273 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Collaborative administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Collaborative's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Collaborative and the unions representing Collaborative employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments

and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Funding Policy

Contribution requirements are also negotiated between the Collaborative and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 50 percent of the cost of only medical insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For 2023, the Collaborative contributed \$245,318 towards these benefits, including the pre-funded contribution discussed below.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish a postemployment benefit trust fund and to enable the Collaborative to begin pre-funding its other postemployment benefit (OPEB) liabilities. During 2023, the Collaborative pre-funded future OPEB liabilities totaling \$93,625 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$1.2 million.

Measurement Date

GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which was updated to June 30, 2023.

Plan Membership

The following table represent the Plan’s membership on July 1, 2022:

| | |
|--|-------------------|
| Active members..... | 276 |
| Inactive members currently receiving benefits..... | <u>20</u> |
| Total..... | <u><u>296</u></u> |

Components of OPEB liability

The following table represent the components of the Plan’s OPEB liability as of June 30, 2023:

| | |
|--|----------------------------|
| Total OPEB liability..... | \$ 8,483,527 |
| Less: OPEB plan's fiduciary net position..... | <u>(1,185,745)</u> |
| Net OPEB liability..... | <u><u>\$ 7,297,782</u></u> |
| The OPEB plan's fiduciary net position as a percentage of the total OPEB liability..... | 13.98% |

Significant Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2023, to be in accordance with GASB #74:

| | |
|--------------------------------|---|
| Valuation date..... | July 1, 2022 |
| Actuarial cost method..... | Individual Entry Age Normal |
| Asset valuation method..... | Fair value of assets as of the measurement date, June 30, 2023 |
| Investment rate of return..... | 5.95%, net of OPEB plan investment expense, including inflation |
| Discount rate..... | 4.62%, net of OPEB plan investment expense, including inflation |
| Inflation rate..... | 2.50% as of June 30, 2023 and for future periods |
| Salary increases..... | 3.00% annually as of June 30, 2023 and for future periods |
| Municipal bond rate..... | 4.13% as of June 30, 2022 (Source: S&P Municipal Bond 20-Year High Grade index-SAPIHG) |
| Mortality rates: | |
| Pre-Retirement mortality..... | <u>General:</u> RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. <u>Teachers:</u> RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females. |
| Post-Retirement mortality..... | <u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and female, set forward 1 year for females. <u>Teachers:</u> RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |
| Disabled mortality..... | <u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. <u>Teachers:</u> RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. |

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return of 3.70% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of

6.20%. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2023 are summarized in the table on the following page:

| Asset Class | Long-Term Expected Asset Allocation | Long-Term Expected Real Rate of Return |
|--|--|---|
| Domestic equity-large cap..... | 48.50% | 4.10% |
| Domestic equity-small/mid cap..... | 5.75% | 4.55% |
| International equity-developed markets.. | 5.75% | 4.65% |
| International equity-emerging markets... | 2.75% | 5.45% |
| Domestic fixed income..... | 20.00% | 1.05% |
| International fixed income..... | 1.75% | 0.96% |
| Alternatives..... | 11.00% | 5.95% |
| Real estate..... | 2.50% | 6.25% |
| Cash and cash equivalents..... | 2.00% | 0.00% |
| Total..... | 100.00% | |

Discount rate

The discount rate used to measure the total OPEB liability was 4.62% as of June 30, 2023 and 5.18% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Collaborative's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover until fiscal year 2060 and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 – Year High Grade Index is the index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.62%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (3.62%) or 1-percentage-point higher (5.62%) than the current rate.

| | 1% Decrease (3.62%) | Current Discount Rate (4.62%) | 1% Increase (5.62%) |
|-------------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability..... | \$ 9,127,863 | \$ 7,297,782 | \$ 5,894,117 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate, as well as what the net other postemployment benefit liability and service cost

would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

| | <u>1% Decrease</u> | <u>Current Trend</u> | <u>1% Increase</u> |
|-------------------------|---------------------|----------------------|---------------------|
| Net OPEB liability..... | \$ <u>5,704,688</u> | \$ <u>7,297,782</u> | \$ <u>9,452,394</u> |

Changes in the Net OPEB Liability

| | <u>Increase (Decrease)</u> | | |
|---|---|--|---|
| | <u>Total OPEB Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net OPEB Liability (a) - (b)</u> |
| Balances at June 30, 2022..... | \$ 7,791,505 | \$ 969,607 | \$ 6,821,898 |
| Changes for the year: | | | |
| Service cost..... | 375,668 | - | 375,668 |
| Interest..... | 419,180 | - | 419,180 |
| Changes of assumptions..... | 1,306,836 | - | 1,306,836 |
| Differences between expected and actual experience..... | (1,257,969) | - | (1,257,969) |
| Investment income..... | - | 122,513 | (122,513) |
| Contributions to trust..... | - | 245,318 | (245,318) |
| Benefit payments..... | (151,693) | (151,693) | - |
| Net change..... | <u>692,022</u> | <u>216,138</u> | <u>475,884</u> |
| Balances at June 30, 2023..... | \$ <u>8,483,527</u> | \$ <u>1,185,745</u> | \$ <u>7,297,782</u> |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Collaborative recognized OPEB expense of \$598,279. At June 30, 2023, the Collaborative reported deferred outflows of resources and deferred inflows of resources related to OPEB of \$2,202,762 and \$2,749,162 from the following sources on the following page.

| <u>Deferred Category</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Total</u> |
|--|---|--|---------------------|
| Differences between expected and actual experience..... | \$ - | \$ (1,472,573) | \$ (1,472,573) |
| Difference between projected and actual earnings, net..... | - | (8,724) | (8,724) |
| Changes in assumptions..... | <u>2,202,762</u> | <u>(1,267,865)</u> | <u>934,897</u> |
| Total deferred outflows/(inflows) of resources..... | \$ <u>2,202,762</u> | \$ <u>(2,749,162)</u> | \$ <u>(546,400)</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|----------------------------|---------------------|
| <u>Year ended June 30:</u> | |
| 2024..... | \$ (131,284) |
| 2025..... | (136,244) |
| 2026..... | 2,376 |
| 2027..... | (58,295) |
| 2028..... | (229,934) |
| Thereafter..... | <u>6,981</u> |
| Total..... | \$ <u>(546,400)</u> |

Changes of Assumptions

- The discount rate has been changed from 5.18% to 4.62%.
- The assumption for future increases in healthcare costs has been modified.

Changes in Plan Provisions

- None.

NOTE 12 – CONTINGENCIES

Various legal actions and claims are pending against the Collaborative. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2023 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2023, which is the date the financial statements were available to be issued.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.

- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Collaborative. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2023

| | Budgeted Amounts | | Actual Budgetary Amounts | Amounts Carried Forward To Next Year | Variance to Final Budget |
|---|---------------------|---------------------|--------------------------------|--|--------------------------------|
| | Original Budget | Final Budget | | | |
| REVENUES: | | | | | |
| Special education..... | \$ 25,043,314 | \$ 25,003,849 | \$ 24,058,815 | \$ - | \$ (945,034) |
| Occupational and physical education..... | 525,000 | 535,000 | 456,865 | - | (78,135) |
| Other departmental revenue..... | 245,000 | 438,306 | 377,392 | - | (60,914) |
| Investment income..... | 3,500 | 13,500 | 37,898 | - | 24,398 |
| TOTAL REVENUES..... | 25,816,814 | 25,990,655 | 24,930,970 | - | (1,059,685) |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Administration and office expense..... | 1,689,768 | 1,871,498 | 1,766,722 | - | 104,776 |
| Instructional..... | 18,345,644 | 18,375,675 | 18,103,617 | - | 272,058 |
| Other student services..... | 750,305 | 659,422 | 647,488 | - | 11,934 |
| Facilities..... | 2,773,750 | 3,077,461 | 3,000,868 | - | 76,593 |
| Employee benefits..... | 2,177,837 | 1,998,320 | 2,092,004 | - | (93,684) |
| TOTAL EXPENDITURES..... | 25,737,304 | 25,982,376 | 25,610,699 | - | 371,677 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES..... | 79,510 | 8,279 | (679,729) | - | (688,008) |
| FUND BALANCES AT BEGINNING OF YEAR..... | 3,265,204 | 3,265,204 | 3,265,204 | - | - |
| FUND BALANCES AT END OF YEAR..... | \$ 3,344,714 | \$ 3,273,483 | \$ 2,585,475 | \$ - | \$ (688,008) |

See notes to required supplementary information.

Collaborative Pension Plan Schedules

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts State Employees Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of the Collaborative's Contributions presents multi-year trend information on the Collaborative's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the nonteacher employees and retirees covered under the Massachusetts State Employees Retirement System.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2023..... | \$ 12,763,273 | \$ 1,003,228 | 71.05% |
| 2022..... | 7,893,845 | 482,110 | 77.54% |
| 2021..... | 14,943,262 | 2,230,790 | 62.48% |
| 2020..... | 12,185,865 | 2,024,254 | 66.28% |
| 2019..... | 10,336,943 | 1,361,820 | 67.91% |
| 2018..... | 8,176,147 | 1,057,936 | 67.21% |
| 2017..... | 11,936,310 | 1,657,692 | 63.48% |
| 2016..... | 9,100,860 | 1,014,512 | 67.87% |
| 2015..... | 6,815,080 | 484,624 | 76.32% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the teacher and retired teachers covered under the Massachusetts Teachers' Retirement System.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

| Year | Commonwealth's 100% Share of the Associated Net Pension Liability | Expense and Revenue Recognized for the Commonwealth's Support | Plan Fiduciary Net Position as a Percentage of the Total Liability |
|-----------|--|---|---|
| 2023..... | \$ 35,398,426 | \$ 2,911,866 | 57.75% |
| 2022..... | 29,303,917 | 2,351,517 | 62.03% |
| 2021..... | 39,292,311 | 4,853,163 | 50.67% |
| 2020..... | 33,829,657 | 4,102,433 | 53.95% |
| 2019..... | 31,145,905 | 3,156,186 | 54.84% |
| 2018..... | 29,105,438 | 3,037,819 | 54.25% |
| 2017..... | 29,573,474 | 3,016,688 | 52.73% |
| 2016..... | 26,699,023 | 2,165,528 | 55.38% |
| 2015..... | 19,354,955 | 1,344,682 | 61.64% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

| Year | Collaborative's Statutory Required and Actual Contribution for Normal Cost | Collaborative's Covered Payroll | Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll |
|-----------|--|------------------------------------|--|
| 2023..... | \$ 328,444 | \$ 5,384,328 | 6.10% |
| 2022..... | 238,677 | 3,912,738 | 6.10% |
| 2021..... | 368,214 | 6,036,295 | 6.10% |
| 2020..... | 300,396 | 4,924,525 | 6.10% |
| 2019..... | 254,476 | 4,171,738 | 6.10% |
| 2018..... | 229,284 | 4,094,357 | 5.60% |
| 2017..... | 270,010 | 4,821,607 | 5.60% |
| 2016..... | 245,045 | 4,375,804 | 5.60% |
| 2015..... | 272,331 | 4,863,054 | 5.60% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Collaborative's Contributions presents multi-year trend information on the Collaborative's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | | | |
| Service Cost..... | \$ 518,377 | \$ 392,932 | \$ 322,538 | \$ 365,372 | \$ 385,291 | \$ 488,389 | \$ 375,668 |
| Interest..... | 239,531 | 355,623 | 303,252 | 291,714 | 306,994 | 366,043 | 419,180 |
| Differences between expected and actual experience... | - | - | (495,170) | (43,896) | (409,544) | - | (1,257,969) |
| Changes of assumptions..... | - | (1,725,343) | (291,552) | 268,861 | 1,692,932 | (1,658,387) | 1,306,836 |
| Benefit payments..... | (90,083) | (110,219) | (123,169) | (153,774) | (168,550) | (133,148) | (151,693) |
| Net change in total OPEB liability..... | 667,825 | (1,087,007) | (284,101) | 728,277 | 1,807,123 | (937,103) | 692,022 |
| Total OPEB liability - beginning..... | 6,896,491 | 7,564,316 | 6,477,309 | 6,193,208 | 6,921,485 | 8,728,608 | 7,791,505 |
| Total OPEB liability - ending (a)..... | <u>\$ 7,564,316</u> | <u>\$ 6,477,309</u> | <u>\$ 6,193,208</u> | <u>\$ 6,921,485</u> | <u>\$ 8,728,608</u> | <u>\$ 7,791,505</u> | <u>\$ 8,483,527</u> |
| Plan fiduciary net position | | | | | | | |
| Employer contributions..... | \$ 124,929 | \$ 125,000 | \$ 126,000 | \$ 153,000 | \$ 183,000 | \$ 82,300 | \$ 93,625 |
| Employer contributions for OPEB payments..... | 90,083 | 110,219 | 123,169 | 153,774 | 168,550 | 133,148 | 151,693 |
| Net investment income (loss)..... | (3) | 5,446 | 29,356 | 39,089 | 177,297 | (75,807) | 122,513 |
| Benefit payments..... | (90,083) | (110,219) | (123,169) | (153,774) | (168,550) | (133,148) | (151,693) |
| Net change in plan fiduciary net position..... | 124,926 | 130,446 | 155,356 | 192,089 | 360,297 | 6,493 | 216,138 |
| Plan fiduciary net position - beginning of year..... | - | 124,926 | 255,372 | 410,728 | 602,817 | 963,114 | 969,607 |
| Plan fiduciary net position - end of year (b)..... | <u>\$ 124,926</u> | <u>\$ 255,372</u> | <u>\$ 410,728</u> | <u>\$ 602,817</u> | <u>\$ 963,114</u> | <u>\$ 969,607</u> | <u>\$ 1,185,745</u> |
| Net OPEB liability - ending (a)-(b)..... | <u>\$ 7,439,390</u> | <u>\$ 6,221,937</u> | <u>\$ 5,782,480</u> | <u>\$ 6,318,668</u> | <u>\$ 7,765,494</u> | <u>\$ 6,821,898</u> | <u>\$ 7,297,782</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability..... | 1.65% | 3.94% | 6.63% | 8.71% | 11.03% | 12.44% | 13.98% |
| Covered-employee payroll..... | \$ 14,312,401 | \$ 14,741,773 | \$ 15,509,076 | \$ 15,974,348 | \$ 15,744,580 | \$ 16,216,917 | \$ 16,540,613 |
| Net OPEB liability as a percentage of covered-employee payroll..... | 51.98% | 42.21% | 37.28% | 39.56% | 49.32% | 42.07% | 44.12% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

| Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered- employee payroll | Contributions as a percentage of covered- employee payroll |
|--------------------|---|--|--|------------------------------|---|
| June 30, 2023..... | \$ 677,934 | \$ (245,318) | \$ 432,616 | \$ 16,540,613 | 1.48% |
| June 30, 2022..... | 791,473 | (215,448) | 576,025 | 16,216,917 | 1.33% |
| June 30, 2021..... | 682,030 | (351,550) | 330,480 | 15,744,580 | 2.23% |
| June 30, 2020..... | 726,601 | (336,774) | 389,827 | 15,974,348 | 2.11% |
| June 30, 2019..... | 662,246 | (249,169) | 413,077 | 15,509,076 | 1.61% |
| June 30, 2018..... | 829,981 | (235,219) | 594,762 | 14,741,773 | 1.60% |
| June 30, 2017..... | 870,263 | (215,012) | 655,251 | 14,312,401 | 1.50% |

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

| <u>Year</u> | <u>Annual money-weighted rate of return, net of investment expense</u> |
|--------------------|--|
| June 30, 2023..... | 11.93% |
| June 30, 2022..... | -7.62% |
| June 30, 2021..... | 26.33% |
| June 30, 2020..... | 1.89% |
| June 30, 2019..... | 9.52% |
| June 30, 2018..... | 3.50% |
| June 30, 2017..... | -0.02% |

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

A. Budgetary Information

The Collaborative adopts a balanced budget that is approved by the District’s Board of Directors. The Executive Director presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

The Collaborative adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2023 approved budget for the general fund authorized approximately \$25.7 million in appropriations. During 2023, the original budget was increased by approximately \$26.0 million primarily for facilities.

The Executive Director has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented below:

| | |
|---|---------------------|
| Net change in fund balance - budgetary basis..... | \$ (679,729) |
| <u>Basis of accounting differences:</u> | |
| Net change in recording accrued expenditures..... | 39,496 |
| Net change in recording accrued payroll..... | 130,184 |
| Recognition of revenue for on-behalf payments..... | 3,915,094 |
| Recognition of expenditures for on-behalf payments..... | <u>(3,915,094)</u> |
| Net change in fund balance - GAAP basis..... | <u>\$ (510,049)</u> |

NOTE B – PENSION PLAN

Pension Plan Schedules

A. Schedule of Collaborative’s Contributions

A special funding situation was created by Massachusetts General Laws for all Educational Collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees’ benefits at a rate established by the Public Employees’ Retirement Administration Commission (PERAC), currently 6.1% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees’ benefits (i.e., the present value of the benefits earned by those employees in any given year) and are

not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives.

B. Schedules of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Collaborative which create two special funding situations.

- The MSERS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.
- The MTRS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Collaborative administers a single-employer defined benefit healthcare plan (the "Other Postemployment Benefit Plan"). The plan provides lifetime healthcare and life insurance for eligible retirees and their spouses through the Collaborative's health insurance plan, which covers both active and retired members.

The Other Postemployment Benefit Plan

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the Collaborative's Contributions

The Schedule of the Collaborative's Contributions includes the Collaborative's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Collaborative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

| | |
|--------------------------------|--|
| Valuation date..... | July 1, 2022 |
| Actuarial cost method..... | Individual Entry Age Normal |
| Asset valuation method..... | Fair value of assets as of the measurement date, June 30, 2023 |
| Investment rate of return..... | 5.95%, net of OPEB plan investment expense, including inflation |
| Discount rate..... | 4.62%, net of OPEB plan investment expense, including inflation |
| Inflation rate..... | 2.50% as of June 30, 2023 and for future periods |
| Salary increases..... | 3.00% annually as of June 30, 2023 and for future periods |
| Municipal bond rate..... | 4.13% as of June 30, 2022 (Source: S&P Municipal Bond 20-Year High Grade index-SAPIHG) |
| Mortality rates: | |
| Pre-Retirement mortality..... | <p><u>General:</u> RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.</p> <p><u>Teachers:</u> RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.</p> |
| Post-Retirement mortality..... | <p><u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and female, set forward 1 year for females.</p> <p><u>Teachers:</u> RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.</p> |
| Disabled mortality..... | <p><u>General:</u> RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.</p> <p><u>Teachers:</u> RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.</p> |

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions

- The discount rate has been changed from 5.18% to 4.62%.
- The assumption for future increases in healthcare costs has been modified.

Changes in Provisions

- None.

Other Information

REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COLLABORATIVES

The following information is provided to conform to the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives. This law was adopted in March of 2012 and constitutes a comprehensive amendment Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Collaboratives in Massachusetts.

NOTE 1 – TRANSACTIONS BETWEEN THE EDUCATIONAL COLLABORATIVE AND ANY RELATED FOR-PROFIT OR NON-PROFIT ORGANIZATION

There are no related organizations that the Collaborative is associated with and therefore no transactions to report.

NOTE 2 – TRANSACTIONS OR CONTRACTS RELATED TO THE PURCHASE, SALE, RENTAL, OR LEASE OF REAL PROPERTY

The Collaborative has entered into rental agreements for classroom and administrative office space under non-cancelable leases that expire through June 30, 2033. The cost of the leases for the year ended June 30, 2023, totaled approximately \$1.7 million and is reported as debt service relating to leases in the general fund. Future minimum lease payments are provided in Note 6 to the financial statements.

NOTE 3 – NAMES, DUTIES, AND TOTAL COMPENSATION OF THE FIVE MOST HIGHLY COMPENSATED EMPLOYEES

The following employees were the five highest compensated employees of the Collaborative for 2023:

| Name | Employee Position | Total Compensation |
|----------------------------|-----------------------------|--------------------|
| Richard L. Reino..... | Executive Director..... | \$ 177,969 |
| Dawn Flaherty..... | Program Director..... | 161,281 |
| Maureen Gattine..... | Program Director..... | 150,378 |
| Jennie Williams..... | Program Director..... | 139,033 |
| Patricia Dicristofaro..... | Asst. Program Director..... | 137,086 |

NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD

For the year ended June 30, 2023, the Collaborative expended approximately \$5,438,791 million and \$2,242,749 million for amounts related to administration and overhead, respectively.

NOTE 5 – ACCOUNTS HELD BY THE COLLABORATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY

At June 30, 2023, there are no accounts held by the Collaborative that may be spent at the discretion of another person or entity. The Collaborative did establish an OPEB Trust Fund in 2018 that is under the direction of the OPEB Board of Trustees.

NOTE 6 – AMOUNTS EXPENDED ON SERVICES FOR INDIVIDUALS WITH DISABILITIES, 22 YEARS OF AGE OR OLDER

For the year ending June 30, 2023, the Collaborative did not have expenditures associated with the community adult program (CAP). The community adult program is a day support program serving individuals over the age of 22 with significant medical and complex learning needs.

NOTE 7 – ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

Certified Cumulative Surplus is defined as the amount of general fund surplus in the collaborative accounts, as certified through an independent audit. Cumulative surplus is derived from a collaborative's unexpended general funds over a number of fiscal years. General funds are for the most part, the funds that a collaborative receives from school districts for tuitions, dues, fees for service, surcharges, and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose.

The Board of Directors voted to approve and retain \$2,427,510 as the amount designated as Cumulative Surplus from general funds remaining in the Collaborative's accounts as of June 30, 2023. This amount does not exceed the limit of 25% of general fund expenditures for the year as shown in the table on the following page.

South Shore Educational Collaborative

Surplus Calculation

Page in 2023
Financial
Statements

| Fiscal Year 2023 | Enter values below | |
|---|------------------------------------|------------|
| (A) Surplus as of June 30, 2022 | \$ 2,937,559 | (A) p.16 |
| <i>(Breakdown of use of 2022 surplus)</i> | | |
| B(1) used to support the FY23 budget | \$ - | |
| B(2) issued as credits to member districts | \$ - | |
| B(3) issued as a check(s) to member district(s) | \$ - | |
| B(4) deposited to a restricted account(s) | \$ - | |
| (B) Board voted uses of surplus funds during 2023 | (total from B1:B4) \$ - | (B) p. N/A |
| (C) Unexpended 2023 General Funds | \$ (510,049) | (C) p.16 |
| (D) Cumulative Surplus as of June 30, 2023 | (A) - (B) + (C) = (D) \$ 2,427,510 | (D) p.16 |
| (E) 2023 Total General Fund Expenditures * | \$ 25,441,019 | (E) p.16 |
| (F) Cumulative Surplus Percentage | (D) ÷ (E) 9.54% | (F) p. N/A |

CUMULATIVE SURPLUS REDUCTION
Allowable uses of surplus - in excess of the 25% limit

| | |
|---|--------------|
| (G) Cumulative surplus as of June 30, 2023 | \$ 2,427,510 |
| 25% limit (allowed) | \$ 6,360,255 |
| (H) Cumulative Surplus REDUCTIONS | |
| (H)1 Credited to member districts for tuition, services, etc. | \$ - |
| (H)2 Deposited to an established trust and/or reserve fund | \$ - |
| (H)3 Returned (check) to school districts/towns | \$ - |
| Total Reductions | \$ - |
| 2023 Cumulative Surplus Percentage after Reductions | 9.54% |

* Net of intergovernmental on-behalf payments.
N/A - Not Applicable

***Report on Internal Control Over Financial
Reporting and on Compliance***

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Directors
South Shore Educational Collaborative
Hingham, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Shore Educational Collaborative (the Collaborative), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Collaborative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Pomeroy & Sullivan, LLC".

December 8, 2023